

Examine the buying difficulties of the health insurance policy: An empirical evidence from the unorganized sector

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Abstract

The purchase of a health insurance policy is essential for the consumers' financial decision-making in recent times. It has been recognized as a health-supporting tool that enables individuals, especially unorganized sector workers, to overcome their health-related difficulties in emerging nations like India. The health insurance companies can design affordable health insurance schemes. Therefore, low-income groups can buy those health insurance schemes to protect themselves against future financial shocks. The study primarily examines the health insurance policy's awareness level and buying difficulties from an unorganized sector worker's perspective. The primary data are collected in the union territory of Puducherry, India, with 267 sample respondents. The descriptive statistics and factor analysis are employed in the present study. The survey results reveal that awareness levels about various health insurance schemes are significantly less among the unorganized sector workers. Factors viz. lack of awareness, lack of willingness, lack of insurance agents, lack of flexibility, lack of reliability, and lack of accessibility are identified as the significant difficulties of unorganized sector workers to buy the health insurance policy. Finally, the study also provides some policy implications.

Keywords: Health Insurance, awareness, accessibility, affordable, financial shocks, unorganized sector, India

JEL Code: G2 & G22.

Introduction

India's economic reforms have led to significant development in the sectors viz., information technology, manufacturing, and financial services, particularly in the insurance sector. Primarily, health insurance is a growing sector in emerging economies. In India, it has been evidenced that the total per capita government spends on health care has nearly doubled from Rs. 1,008 per person in the year 2014-2015 to Rs. 1,944 in the 2019-2020 financial year. India's total health care spending (out-of-pocket and public), nearly 3.6 percent in GDP, which is least among BRICS nations. For instance, Brazil spends the most (9.2 percent), followed by South Africa (8.1 percent), Russia (5.3 percent), China (5 percent). Other developed nations such as the US (16.9 percent), Germany (11.2 percent), France (11.2 percent), and Japan (10.9 percent). The government of India (GoI) intervention in health care is directed to solve two fundamental health insurance penetration problems. First, the pricing of health insurance products and, the second, reasons for the increasing number of uninsured people. Therefore, the government ensures broad reforms to solve the above problems. Thus, the policymakers have a priority plan for health insurance growth by making innovative health insurance products to cover society's entire settlement. In many emerging countries, it has always been challenging to provide funds to health expenditures in particular unorganized sectors. Even health insurance products are priced at an affordable cost. Most of society's segments are still not included in health insurance; there are both supplies and demand-side bottlenecks, resulting in a "missing market." The Insurance Regulatory and Development Authority of India (IRDAI) describes, "Health insurance business means contracts which provide sickness benefits whether in-patient or out-patient, on an indemnity, reimbursement, service, prepaid, hospital or other plans basis, including assured benefits and long term care."

Despite of, health insurance is the fastest growing as an essential tool to fund poor people's health care requirements. The insurance is a crucial requirement, which plays a vital role in pooling risk or uncertainties of unpredicted expenses of every individual's health, falling ill, and need of hospitalization facilities by charging a premium of the same. Present scenario, the annual expenditure on health in India nearly 72 percent of people in rural areas and 79 percent of residents in urban areas per person. The private sector's significant health policies are provided then the public sector to attract uninsured people. With attractive systems, improved technology, the rapid spread of advertisements, and an affordable premium help to the growing demand for better health services. The private sector's foundation of health insurance with the authority of the Insurance Regulatory Development Authority (IRDA) Act 2000 has given ways to utilize the industry and the public to use health care facilities that are available. Overall, there has not been much development in health insurance coverage among the population in the country. It is assessed that about two-fifths of India's GDP originates from the informal sector, and almost 90 percent of families depend on this sector for their livelihood. Based on statistics, primarily enormous quantities of workers are involved in the unorganized sector in urban and rural areas. Most of them are poor, uneducated, helpless, and weak in health

conditions. Their environment, such as workplaces and living places, is not hygienic, leading to many infections and various chronic diseases. Unorganized sector workers family is pushed into debt to meet their daily expenses due to their poverty and low income. Despite that, many of their health expenditure is spent out of their pocket expenses. The poor and other disadvantaged sections, such as the unorganized sector, are mandatory to pay a higher proportion of their health care income. Therefore, they have to borrow money at a higher interest rate to meet medical expenditure and other household requirements. Further, it leads to pushing their families into an area of long-lasting poverty.

In light of the above, the researchers address the following three research questions.

- (1) What are the various sources of awareness that are available for health Insurance?
- (2) What is the level of awareness of health insurance among unorganized sector workers?
- (3) What are the difficulties faced by unorganized sector people to purchase a health insurance policy?

The structure of the article as follows: The first section provides the introduction. Section second presents a review of the literature. The third section offers the research gap and study objectives. The fourth section explains the research methodology. Section five stipulates the data analysis and results. Section six provides conclusion and policy implications.

Review of Literature

Many prior researchers (Ahmed et al., 2016; Bawa and Ruchita, 2011; Dror and Firth, 2014; Jebamalar and Kumar, 2019; Karan et al., 2017; Panda et al., 2015; Panda and Rout, 2018; Reshmi et al., 2007; Savitha and Kiran, 2012; Yellaiah and Ramakrishna, 2012) have examined the health insurance products awareness among the unorganized sector. For instance, Ahmed et al. (2016) evaluated the willingness-to-pay (WTP) for community-based health insurance (CBHI). They explored the determinants among informal workers viz., rickshaw-pullers, shopkeepers, and restaurant workers. The multiple regression analysis was used to determinants of WTP. Informal workers are willing to pay for CBHI, and a difference among socio-economic determinants explains the amount of WTP in urban areas. A study by Bawa and Ruchita (2011) examined the four aspects. First, who are aware of or not aware of health insurance and different sources of awareness? Second, do the respondents have subscribed to it or not? Third, if not subscribed, what are the reasons for unsubscribing? Finally, are they willing to join and pay for health insurance? The study results show that level of awareness is found to be low and influencing various barriers for the subscription of health insurance. Dror and Firth (2014) studied the requirements of the demand for health insurance schemes concerning an informal group of people in low- and middle-income countries (LMICs). The study's findings reveal that the government and policymakers frame financial literacy policy for the effective demand for health insurance among the informal group of people in LMIC. Another study by Jebamalar and Kumar (2019) analyzed the awareness level and usage of

health insurance and examined healthcare costs for non-communicable diseases. The study's findings reveal that around 77 percent of the respondents are aware of health insurance. The main source of information about health insurance is from local government officials and hospitals. The study also found a significant relationship between the loss of wages and total health expenses. Karan et al. (2017) observed that the national health insurance scheme RSBY not having affected the out-of-pocket expenditure among in-patient. The likelihood of incurring any out-of-pocket expenditure among in-patient has been increased by 30 percent because of RSBY, which is statistically significant. Even though out-of-pocket expenditure among in-patient has not changed. RSBY has been ineffectual in decreasing the healthcare burden from out-of-pocket expenditure on poor people. Panda et al. (2015) studied health insurance awareness campaigns before launching community-based health insurance (CBHI) schemes in rural India. The study tried to find an answer to the three basic questions. First, whether the awareness campaign was successful or not? Second, which types of awareness tools are useful among the participants? Finally, does the awareness campaign has resulted in higher enrolment? There is a real difference between understanding insurance principles and understanding CBHI schemes. The study found that the awareness campaign is an important tool for various insurance schemes like CBHI schemes among the rural population is very attractive. Panda and Rout (2018) investigated healthcare expenditure and national health insurance schemes, i.e., Rashtriya Swasthya Bima Yojana and Biju Krushak Kalyan Yojana in Odisha State. The study focused on creating awareness among the population with the help of direct personal interviews. The study found increased friendly behavior of healthcare providers, a clear response by the front desk, increased sum assured amount, and the detailed receipt of hospital expenditure. Reshmi et al. (2007) studied health insurance awareness among the urban population in South India. They employed a cross-sectional to analyze the level of awareness of health insurance. The study found that nearly 64 percent of respondents are aware of health insurance products. It was observed that low socio-economic groups of respondents are also willing to buy health insurance with low premium amount annually, especially government-based health insurance schemes. Savitha and Kiran (2012) examined the awareness and knowledge about Sampoorna Suraksha Programme (SSP) insurance scheme, which is a micro-insurance program initiated by SKDRDP (Sri Kshetra Dharmasthala Rural Development Project) in Karnataka, India. The study found that the level of knowledge and awareness about SSP is more predominant among the insured members than the newly insured SSP members. Yellaiah and Ramakrishna (2012) investigated the socio-economic determinants of demand for health insurance in Hyderabad, India. The study used a logistic regression model to analyze the individual household's choice between purchasing and not purchasing health insurance. The study found that demographic characteristics such as occupation, income, health expenditure are significantly determining the purchase of health insurance schemes.

Research Gap and Study Objectives

Many prior studies have examined various aspects of health insurance, but the little concentration in the field of health insurance buying difficulties of the unorganized sector. Therefore, the present study attempts to fill this research gap by exploring the various buying difficulties of health insurance policy viz., lack of awareness, lack of willingness, lack of insurance agents, lack of flexibility, lack of reliability, and lack of accessibility. Based on this research gap, the present study is directed to achieve the following objectives.

- (1) To know the various sources of awareness tools related to health insurance.
- (2) to evaluate the awareness level of health insurance among unorganized sector workers.
- (3) to explore the difficulties faced by the unorganized sector workers to purchase a health insurance policy.

Research Methodology

The current research is used both primary data as well as secondary data. The primary data collection is done by employing purposive and convenience sampling techniques for selecting 267 sample respondents in the union territory of Puducherry, India. The present study is used in both descriptive statistics and factor analysis. Initially, a pilot study is undertaken with a sample of 30 respondents, which is helped to phrasings the items and revised appropriately based on the respondents' feedback. Finally, an interview schedule is conducted for the collection of the final sample. The Statistical Package of Social Sciences (SPSS version, 22) is used for the data analysis.

Data Analysis and Results

Demographic Characteristics of the Respondents

The demographic characteristics of unorganized sector workers viz., gender, marital status, age, education level, occupation, members in a family, and family annual income level are presented in Table 1.

Table 1: Demographic Characteristics

Demographic Characteristics	Frequency	Percentage
Gender		
Male	180	67.4
Female	87	32.6
Age (in years)		
Less than 25	35	13.1
26-35	112	41.9
36-45	78	29.2
46-55	32	12.0
56-65	9	3.4

Above 55	1	0.4
Marital Status		
Married	209	78.3
Unmarried	43	16.1
Widow	15	5.6
Education level		
Illiterate	98	36.7
Primary school	97	36.3
Higher secondary	45	16.9
Diploma	13	14.3
Graduate	14	4.9
Occupation		
Building construction workers	69	25.8
Agricultural Laborers	72	27.0
Loading and Unloading workers	38	14.2
Fishermen	45	16.9
Auto drivers	43	16.1
Family Annual Income (in INR)		
Below 50,000	104	39.0
50,001-100,000	78	29.2
100,001-1,50000	55	20.6
1,50001-200,000	17	6.4
Above 200,000	13	4.9
Members in Family		
Below 3 members	66	24.7
3-5 members	171	64.0
Above 5 members	30	11.2

Source: Author's compilation based on primary data

The respondent's demographic profile comprises 180 (67.4 percent) male, 84 (32.6 percent) are female respondents. The majority of the respondents are in the age group of 26-35 years (41.9 percent). The majority of the respondents have no formal education, 980(36.7 percent), and primary education 97(36.3 percent). Furthermore, most of the respondents belonged to agricultural laborers 72(27 percent) and followed by building construction workers and fishermen are 25.8 percent, 16.9 percent, respectively. The concern with annual income, the majority of the respondents 104 (39 percent) had income less than Rs.50 000.

Level of Health Insurance Awareness and Subscription

Table 2 shows the health insurance awareness level and subscription rate. The results reveal that nearly 74 percent of the respondents are not aware of or exposed to any health insurance policy. Around 10 percent only were aware or exposed and subscribed to health insurance products, and finally, 15 percent of respondents were aware or exposed and unsubscribed to any health insurance product.

Table 2: Level of health insurance awareness and subscription

Level of Awareness	Frequency	Percentage
Not Aware or not exposed to any health Insurance products	198	74.2
Aware or exposed and subscribed to health insurance products	29	10.8
Aware or exposed and unsubscribed to any health insurance products.	40	15.0
Total	267	100

Sources of Health Insurance Awareness

There are various sources of creating awareness regarding health insurance. Understanding health insurance helps the unorganized sector purchase the policy, and it will help in overcoming health expenditures. Table 3 shows the sources of health insurance awareness.

Table 3: Sources of health insurance awareness

S. No	Sources of Information	Percentage
1	Government	24
2	Friends & Relatives	10
3	Insurance Agents	2
4	Radio or transistor	7
5	Television	20
6	Newspaper	15
7	Internet	4
8	Self Help Groups (SHGs) leader	9
9	Banners/Hoardings	6
10	Grama Panchayat employees	5

Source: Author's compilation based on primary data

Table 3 presents the various source of health insurance awareness. Health insurance from government sources is received (24 percent). Television (20 percent), a new paper (15 percent),

and friends and relatives (10 percent) also sources of health insurance awareness. Only 2 percent reported receiving health insurance policy information from insurance agents.

Exploratory Factor Analysis (EFA)

The exploratory factor analysis (principal component analysis) is a data reduction technique, which uses a large number of variables into a few related dimensions. Factor analysis attains parsimony by explaining the maximum extent of common discrepancy in a correlation matrix using the smallest explanatory contracts. It reduces a large set of data to a smaller subset of measurement variables (Field, 2009).

Reliability of the Measurement Scale Items

Reliability is the technique to which the observed variable measures are "accurate," It ensures more reliable events that may tend to responses are consistent (Hair et al., 1998). The most commonly used measure for identifying the reliability of the whole scale is Cronbach's α . Before application to factor analysis, the scale's reliability was checked with the help of Cronbach's α to assess the internal consistency of the full scale (Malhotra et al., 2006). The standard acceptable lower limit value for Cronbach's α is 0.70, though it may require a reduction of up to 0.60 in empirical research (Hair et al., 1998). The overall Cronbach's α for the six variables of the study is obtained highest value 0.744 and lowest value 0.679; these values are regarded as acceptable, keeping in view the exploratory nature of the research.

The relevance of factor analysis is tested using two essential measures. The first measure is The Kaiser-Meyer-Olkin measures for sampling adequacy (KMO). The value of Kaiser-Meyer-Olkin values between 0.5 and 0.7 is mediocre (Kaiser, 1974). The KMO value in this study is 0.698. The value lies within the acceptable range.

It implies that the measurement is right. The other measure is Bartlett's test of sphericity, and approximate χ^2 statistics is 332.676, with 28 degrees of freedom, which is significant at 1 per level (p-value is 0.000). It indicates a highly significant correlation among the measurement items of the constructs in the research. The study is used factor analysis with 16 measurement items to identify the factors toward the difficulties of purchase health insurance products. Based on the principal component analysis, the rotation method exhibits six factors. Table 4 presents the results of the factor analysis.

Table 4: Results of factor analysis

Factors and measurement items	Eigenvalue	Factor loading	% Variance	Cronbach's alpha value
Lack of Awareness	2.354		15.589	0.744

I don't know the benefits offered by the health insurance policy		0.854		
I don't know about the health insurance policy offered by insurance companies.		0.745		
I don't know how to get a health insurance policy.		0.633		
Lack of Willingness	2.252		12.926	0.723
I don't have the interest to buy a health insurance policy		0.831		
I prefer to invest my money in other investment avenues.		0.615		
Lack of Accessibility	1.089		7.808	0.679
Linked hospitals are not easily accessible		0.694		
Difficulty in availing services in hospitals		0.663		
Lack of Insurance Agents	1.710		11.686	0.740
Inadequacy of knowledge of the insurance agents		0.826		
The behavior of insurance agents is not satisfactory.		0.672		
Difficulty in approaching insurance agents		0.691		
Lack of Flexibility	1.580		10.775	0.714
Lack of sufficient regular income		0.778		
Non-availability of funds		0.762		
The health insurance policy does not cover all of my health problems.		0.601		
Lack of Reliability	1.173		8.332	0.691
The more hidden cost involved, which increases the cost of insurance		0.745		
Too much paper-work is involved.		0.668		
Saving in some other areas to meet health care needs		0.660		

Note: Extraction Method: Principal Component Analysis; Rotation method: Varimax with Kaiser Normalization

Conclusion and Policy Implications

The research paper examines the awareness level of health insurance and buying difficulties in purchasing health insurance in unorganized sector workers. The study results reveal that awareness levels about various health insurance schemes are found to be significantly less among the unorganized sector workers. Factors viz. lack of awareness, lack of willingness, lack of insurance agents, lack of flexibility, lack of reliability and lack of accessibility were identified as unorganized sector workers' difficulties in buying a health insurance policy. The various sources of awareness tools are available in which the uninsured unorganized sector people are mostly aware of the help of televisions, newspapers, and friends and relatives. The results found that nearly 74 percent of the respondents were uninsured and unaware of unorganized sector people. The result found that only 10 percent of respondents subscribed to the health insurance policy. The study's findings provide strategic direction to policymakers to improve the health insurance penetration among the unorganized sector.

The health insurance policy has emerged nowadays; still, workers in the unorganized sector were unaware of a health insurance policy. There are many sources for creating awareness about health insurance. Primarily, television, newspapers, advertisements, and insurance agents. But from these sources, the understanding of health insurance policies was not reached to unorganized sector people at a satisfactory level. Therefore, government and policymakers may design a particular literacy campaign strategy specifically to reach these segment people. The government can also direct the health insurance companies, both public and private, to ensure an innovative literacy strategy to reach the unorganized sector workers.

Despite this, the insurance companies may design demand for health insurance policies specifically for unorganized sector workers in the light of low premium and broad coverage health issues. Consequently, various innovative and attractive health insurance schemes can be developed in the view of unorganized sector workers by considering their interest and priority. Ensure that, which are easily accessible and affordable premium. This results in reducing their unnecessary out-of-pocket expenses for the health issues and leads to better utilization of healthcare services by corporate hospitals.

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